Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

CONFIDENTIAL

PAGE 01 BRASIL 08441 01 OF 04 011109Z

12
ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-04 H-02 INR-07 L-03 NSC-05 PA-01

PRS-01 SP-02 SS-15 AID-05 EB-07 MCT-01 /064 W
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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 8092
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 4 BRASILIA 8441

E.O. 11652: GDS
TAGS: PINT, BR
SUBJ: CURRENT ASSESSMENT OF INTERNAL POLITICAL SITUATION: GEISEL'S POSITION AS ELECTIONS NEAR

REFS: A) BRASILIA 8391, B) BRASILIA 7387, C) RIO DE JANEIRO 3591, D) BRASILIA 4690

SUMMARY: WITH ELECTIONS ONLY SIX WEEKS AWAY AND FACING SERIOUS ECONOMIC PROBLEMS, PRESIDENT GEISEL CONFRONTS RENEWED DISPLAYS OF DISAFFECTION AMONG SOME CONSERVATIVE ELEMENTS IN THE MILITARY AND SECURITY FORCES, THEIR ALLIES IN THE POLITICAL CLASS AND IN THE PRIVATE BUSINESS COMMUNITY. CHIEF CAUSE OF THE DISGRUNTLEMENT IS WHAT IS SEEN AS GEISEL'S LATENT LIBERALIZING TENDENCIES--AS EVIDENCED BY HIS DETERMINATION TO PERMIT NOVEMBER MUNICIPAL ELECTIONS AT RISK OF MAJOR DEFEAT FOR GOVERNMENT. REINFORCING THEIR CONCERN OVER GEISEL'S COURSE IS UNEASINESS OVER THE POOR ECONOMIC SITUATION SIGNS OF DECLINING PUBLIC SUPPORT FOR THE GOVERNMENT, AND GREATER AGGRESSIVENESS BY THE NEWS MEDIA. PRESIDENT IS STILL RESISTING POLITICAL AND PYSCHOLOGICAL PRESSURES FROM THE RIGHTIST DISSIDENTS TO REIN IN THE OPPOSITION AND THE PRESS AND CRACK DOWN ON SUBVERSIVES. HIS POSITION REMAINS GENERALLY STRONG BECAUSE OF HIS
CONFIDENTIAL

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PAGE 02 BRASIL 08441 01 OF 04 011109Z

CONTINUING SUPPORT AMONG THE MILITARY AS A

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

WHOLE, AND AMONG THE TECHNOCRATS AND MUCH OF THE POLITICAL CLASS AND GENERAL PUBLIC. IF THE GOVERNMENT'S POLITICAL PARTY, ARENA, MAKES AN ACCEPTABLE SHOWING IN THE NOVEMBER ELECTIONS, THE PRESIDENT WILL REMAIN IN FAIRLY STRONG POSITION TO CONTINUE HIS POLITICAL COURSE. BUT A SERIOUS AND UNDISGUISABLE ARENA DEFEAT COULD FORCE GEISEL TO YIELD TO RIGHTIST DEMANDS FOR GREATER AUTHORITARIANISM. END SUMMARY.

1. PRESIDENT GEISEL IN SEPTEMBER COMPLETED THE FIRST HALF OF HIS FIVE-YEAR TERM. THIS MILESTONE, TOGETHER WITH THE IMMINENCE OF THE NOVEMBER MUNICIPAL ELECTIONS--NOW LESS THAN SIX WEEKS AWAY--WARRANTS AN ASSESSMENT OF THE CURRENT INTERNAL POLITICAL SITUATION. CIRCUMSTANCES HAVE BROUGHT ABOUT A RESURGENCE IN RECENT MONTHS OF DISAFFECTION AMONG SOME OF THE MORE CONSERVATIVE ELEMENTS OF REVOLUTIONARY ESTABLISHMENT WITH GEISEL'S COURSE. THE UNDERLYING CATALYST IN HIS DISAFFECTION ON THE RIGHT, AND CENTRAL TO THIS ASSESSMENT OF FEISEL'S STANDING WITH MAJOR POWER CENTERS OF THE REVOLUTION, IS THE PRESIDENT'S APPROACH TO THE NOVEMBER ELECTIONS AND THEIR CONSEQUENCES. THE PRINCIPAL CAUSE OF THIS DISAFFECTION IS WHAT CONSERVATIVE FORCES PERCEIVE AS GEISEL'S LATENT INTEREST IN PERSISTING IN A STRATEGY OF MODEST POLITICAL LIBERALIZATION DESPITE THE PRESIDENT'S PUBLIC PLEDGE IN 1975 TO SLOW MARKEDLY THE PACE OF DISTENSAO. STEPS TAKEN BY THE PRESIDENT, OR ATTITUDES DISPLAYED, HAVE BEEN VIEWED BY CONSERVATIVE SECTORS AS A REPUDIATION OF THE REVOLUTIONARY PRINCIPLES AS THEY EVOLVED IN THE MEDICI PERIOD--WITH THE CONSEQUENCES OF HIS DEVIATION BEING UNFORESEEABLE.

2. THIS DISAFFECTION INTERACTS WITH AND IS REINFORCED BY: (A) THE GENERALLY POOR SITUATION OF THE ECONOMY (DESCRIBED BY REF A) AND RESULTING SOCIAL AND POLITICAL TENSIONS; (B) THE POLITICAL UNCERTAINTIES STEMMING FROM INCREASING SIGNS OF THE REVOLUTIONARY GOVERNMENT'S SLIPPING POPULARITY--DESPITE GEISEL'S OWN PERSONAL POPULARITY-- AND MANIFESTATIONS OF PSYCHOLOGICAL FATIGUE AMONG GENERAL PUBLIC AFTER 12 YEARS OF THE REVOLUTION; CONFIDENTIAL

AND (C) THE GREATER AGGRESSIVENESS ON SENSITIVE NATIONAL ISSUES DISPLAYED BY THE MEDIA SINCE GEISEL'S QUIET REDUCTION OF CENSORSHIP.

3. POLES OF DISAFFECTION--INTERNAL DISAFFECTION, WE BELIEVE, IS SCATTERED MAINLY AMONG THE MORE CONSERVATIVE SECTORS OF THE MILITARY, PARTICULARLY THOSE WHO HAVE SOME INSTITUTIONAL INVOLVEMENT IN COMBATING THE VARIOUS FORMS OF

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

DISSENT THAT THE GOVERNMENT LOOSELY TERMS "SUBVERSION." ALSO SHARING THEIR CONCERNS ARE NUMBER OF RETIRED OFFICERS OR THOSE CLOSELY ASSOCIATED IN THE PAST WITH MORE CONSERVATIVE ADMINISTRATIONS SUCH AS THAT OF EX-PRESIDENT MEDICI. SOME SUPPORT IS ALSO PRESENT IN SOME QUARTERS OF THE NON-MILITARY SECURITY APPARATUS, SUCH AS IN SECURITY APPARATUSES OF THE MAJOR STATE GOVERNMENTS, AND IN THE MINISTRY OF JUSTICE.

4. AS FAR AS WE CAN DETERMINE, THE OTHER MAJOR POLE OF DISAFFECTION IS AMONG ELEMENTS OF THE PRIVATE ENTREPRENEURIAL CLASS, CENTERED IN SAO PAULO. IN ADDITION, SOME RHETORICAL SUPPORT HAS BEEN CONSISTENTLY PROVIDED BY THE CIVILIAN ALLIES OR SPOKESMEN OF THE CONSERVATIVE MILITARY WITHIN THE POLITICAL CLASS, SUCH AS SENATOR DINARTE MARIZ AND CHAMBER OF DEPUTIES MAJORITY LEADER JOSE BONIFACIO.

CONFIDENTIAL

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PAGE 01 BRASIL 08441 02 OF 04 011120Z

10
ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-04 H-02 INR-07 L-03 NSC-05 PA-01

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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 8093
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 2 OF 4 BRASILIA 8441

5. DISAFFECTION AMONG THESE ELEMENTS HAS VARIED IN INTENSITY SINCE GEISEL TOOK OFFICE, BUT IT RESURFACED MARKEDLY DURING JULY AND AUGUST. ITS MOST DRAMATIC MANIFESTATION WAS THE PUBLIC ATTACK IN JULY BY FORMER PRESIDENT MEDICI ON LIBERAL TRENDS IN THE GOVERNMENT, FOLLOWED UP BY SIMILAR PUBLIC WARNINGS BY FORMER ASSOCIATES OF MEDICI SUCH AS ONE TIME MINISTER OF

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

TRANSPORTATION MARIO ANDREAZZA. THE PUBLIC POLITICAL PROCESS
DURING THAT PERIOD HAS FEATURED MORE THAN THE USUAL
NUMBER OF APPEALS FOR THE RESUMPTION OF AUTHORITARIANISM
OR FOR THE CRACKDOWN OF ALLEGED "SUBVERSIVES" IN THE
PRESS, OPPOSITION, CHURCH AND UNIVERSITIES,
SPEARHEADED BY A SERIES OF VIRULENT SPEECHES IN THE
CHAMBER BY JOSE BONIFACIO (REF B). IN RECENT MONTHS
THERE HAS BEEN SOME RESUMPTION OF THE UNDERGROUND
PSYCHOLOGICAL WARFARE AGAINST GEISEL'S POLICIES AND SOME
OF HIS MINISTERS THAT MARKED THE EARLY MONTHS OF 1975.
THIS WHISPERING CAMPAIGN HAS FEATURED A SERIES OF POINTED
RUMORS OF IMPENDING CRISES AND CONFRONTATIONS, OR
PREDICTIONS, IN SOME CASES TRACEABLE TO SOURCES
IN THE SECURITY FORCES, OF IMMINENT CURBS ON GEISEL AND
HIS LIBERALIZING TENDENCIES. IN AT LEAST ONE CASE ANONYMOUS
LEAFLETS WERE CIRCULATED ATTACKING WAR MINISTER GENERAL
SYLVIO FROTA FOR ACQUIESCING IN GEISEL'S REMOVAL IN
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JANUARY 1976 OF SECOND ARMY COMMANDER GENERAL EDNARDO
D'AVILA MELLO. BUT A RECENT AND MORE DRAMATIC
MANIFESTATION IS THE SURGE OF TERRORIST ACTS ON PERSONS
OR ESTABLISHMENTS TAINTED WITH LIBERALISM OR
"SUBVERSION." WHILE THE BOMB ATTACKS ON THE BRAZILIAN
BAR AND PRESS ASSOCIATIONS AND ON THE HOUSE OF A RIO
NEWSPAPER PUBLISHER, AND THE PUBLIC HUMILIATION OF THE
LIBERAL BISHOP OF NOVA IGUACU (REF C) APPEAR NOT
INTENDED TO KILL, THEY POINT TOWARD A NEW AND DISTURBING
DIRECTION IN THE INTERNAL POLITICAL STRUGGLE.

6. CONCERNS AMONG CONSERVATIVE SECTORS--CONCERN OVER
LIBERALIZATION, OR WHAT THE CONSERVATIVES MIGHT EQUATE WITH
THE RECRUDESCENCE OF SUBVERSION, DIFFERS SOMEWHAT BETWEEN THE
MILITARY/SECURITY FORCES AND THE ENTREPRENEURIAL INTERESTS.
FOR THE DISSENTERS IN THE MILITARY THE OVERRIDING CONCERN
IS THAT, IF HELD UNDER CONDITIONS OF RELATIVE FREEDOM, THE
NOVEMBER 15 MUNICIPAL ELECTIONS WILL REVEAL WIDESPREAD
DISENCHANTMENT WITH THE REVOLUTION, TO THE EXTENT OF CASTING
DOUBT ON ITS PERMANENCE. THEY FEAR THAT THE GREATER FREEDOM
THAT GEISEL HAS ALLOWED THE PRESS WILL ENABLE SUBVERSIVES
TO IMPUGN THE REVOLUTION AND ULTIMATELY EVEN TO ATTACK THE
MILITARY INSTITUTION ITSELF. AT THE SAME TIME, GEISEL'S
RESTRAINTS SINCE LATE 1975 ON THE FREEDOM OF ACTION AND
THE METHODS OF THE SECURITY FORCES IN DEALING WITH SUSPECTS
IS SEEN AS NURTURING THE GROWTH OF SUBVERSION. MOREOVER,
WE HAVE RECEIVED SEVERAL RECENT INDICATIONS OF A NEWLY
AWAKENED FEAR AMONG THE MILITARY OF REPRISALS AGAINST
THE MILITARY ITSELF IF ANTIREVOLUTIONARY ELEMENTS GAIN MORE
STRENGTH. THIS POINT OF CONCERN MAY BE OVERRIDING:
THE MILITARY IS PLEDGED NEVER TO PERMIT ITSELF TO BE PUT

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

IN THE DOCK. THESE SPECIFIC FEARS TRANSLATE INTO A
GENERAL UNEASINESS THAT GEISEL'S PRESUMED LIBERALIZING
TENDENCIES THREATEN THE RETURN OF THE DESTRUCTIVE HIGH
MIBILIZATION POLITICS THAT THE REVOLUTION
EXTINGUISHED. WE THINK THAT WILLINGNESS OF GEISEL, AND
FOREIGN MINISTER SILVEIRA, TO EMPHASIZE BRAZIL'S THIRD
WORLD IDENTIFICATION AND TO EXTEND CONTACTS WITH
COMMUNIST AND RADICAL MARXIST STATES CONTRIBUTES
TO THE GENERAL DISAFFECTION, THOUGH NOT AS A MAJOR
DETERMINANT.
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7. THE CONCERNS OF THE ENTREPRENEURIAL CLASS DIFFER IN
EMPHASIS FROM THOSE OF THE MILITARY, BUT THERE IS SOME
OVERLAP AND A CONTINUING EFFORT BY THE ENTREPRENEURS TO
FIND COMMON GROUND WITH THE MILITARY. A PERSISTENT AND
LONGSTANDING ANXIETY AMONG PRIVATE ENTREPRENEURS IS THAT
POLITICAL LIBERALIZATION WILL GIVE VENT TO NOW CONSTRAINED
SOCIAL AND ECONOMIC PRESSURES, ULTIMATELY WEAKENING THE
EXISTING TIGHT CONTROL OVER THE LABOR FORCE. THE GEISEL
ADMINISTRATION'S RESTRICTIVE POLICIES ON CREDIT AND
IMPORTS ARE RESENTED FOR THEIR INEVITABLE NEGATIVE
EFFECTS ON PROFIT AND BUSINESS EXPANSION. IN SOME
CASES THERE MEASURES ARE DOUBLY GALLING IN THAT THEY
ARE REGARDED AS HAVING BEEN TAKEN BY GEISEL AND HIS
TECHNOCRATIC ADVISERS WITH LITTLE OR NO CONSULTATION
WITH THE BUSINESS SECTOR, REINFORCING BUSINESS CLASS'
RESENTMENT OVER THE LIMITED INFLUENCE AND ACCESS THEY ENJOY
UNDER GEISEL, RELATIVE TO THE PARAMOUNT POSITION THEY
HELD UNDER PRESIDENT MEDICI AND HIS ECONOMIC CZAR DELFIM
NETO. A PARALLEL ISSUE USED BY THE ENTREPRENEURS AGAINST
GEISEL AND HIS ADVISERS IS THAT OF STATE COMPETITION WITH
THE PRIVATE SECTOR, GIVING RISE TO DEMANDS FOR "DESTATIZING"
PUBLIC ENTERPRISES AND CHARGES OF CORRUPTION AND MISMANAGEMENT
BY THE TECHNOCRATS IN THE ECONOMIC MINISTRIES, STATE
CONTROLLED BANKS AND STATE ENTERPRISES.

8. OBJECTIVES OF RIGHTIST DISSIDENTS--AT THE
EXTREME, SOME OF GEISEL'S OPPONENTS WITHIN THE MILITARY
AND ENTREPRENEURIAL CLASS WOULD HOPE FOR HIS COMPLETE
OUSTER AND REPLACEMENT BY A PRESIDENT WHO WOULD IMPOSE
UNRELENTING AND UNQUALIFIED AUTHORITARIAN RULE, THOUGH
MOST OF THEM RECOGNIZE THAT THIS IS PROBABLY AN UNATTAINABLE
OBJECTIVE. THEY SEEK PRINCIPALLY TO FORCE GEISEL TO ABJURE
HIS LIBERALIZING TENDENCIES AND TO DEMONSTRATE HIS RENEWED
COMMITMENT TO CONSERVATIVE REVOLUTIONARY PRINCIPLES BY
(1) REMOVING THE RESTRAINTS ON THE SECURITY FORCES IN
THE PURSUIT OF SUBVERSIVES; (2) RESTORING PRESS CENSORSHIP;
(3) PLACING NEW AND TIGHTER CONTROLS ON THE OPPOSITION

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

IN THE ELECTION CAMPAIGN OR CANCELING THE ELECTIONS
ENTIRELY, AND (4) DISMISSING PERSONALITIES IN HIS
GOVERNMENT THAT ARE NON-GRATA TO THEM, SUCH AS FINANCE
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PAGE 04 BRASIL 08441 02 OF 04 011120Z

MINISTER SIMONSEN, MINISTRY OF TRADE AND INDUSTRIES SEVERO
GOMES, CHIEF OF THE CIVIL HOUSE HOLD GOLBERY, AND
FOREIGN MINISTER SILVEIRA. AS WE SEE IT, AN OBJECTIVE
OF EQUAL IMPORTANCE FOR THEM WOULD BE TO PLACE THEM-
SELVES IN A POSITION TO CHOOSE GEISEL'S SUCCESSOR IN 1979
AND TO CONTROL FULLY HIS SUCCESSOR AS PRESIDENT FROM
1979 ONWARD.

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 BRASIL 08441 03 OF 04 011057Z

12
ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-04 H-02 INR-07 L-03 NSC-05 PA-01

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TO SECSTATE WASHDC IMMEDIATE 8094
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 3 OF 4 BRASILIA 8441

9. GEISEL STILL DEALING FROM STRENGTH. ON BALANCE, FROM
INFORMATION CURRENTLY AVAILABLE TO US, WE BELIEVE GEISEL
STILL RETAINS SUFFICIENTLY STRONG POSITION TO PRESERVE HIS
POLICYMAKING AUTONOMY AND TO RESIST PRESSURES FROM RIGHTIST
DISSIDENTS. FUNDAMENTAL IS OUR ASSESSMENT THAT GEISEL STILL
HAS BROAD AND FAIRLY DURABLE SUPPORT AMONG THE MILITARY.
WORKING IN HIS FAVOR IS THE STRONG TRADITION OF LOYALTY AND
UNITY OF THE BRAZILIAN ARMED FORCES. WHATEVER HIS IDEOLOGI-

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

CAL DEVIATIONS SO FAR, GEISEL IS STILL LOOKED ON BY MOST OF
THE ARMY AS ONE OF ITS OWN. DESPITE OCCASIONAL GRUMBLINGS
AT ALL LEVELS, THIS SOLIDARITY REMAINS A PASSIVE BUT NONE-
THELESS POWERFUL FORCE IN HIS FAVOR. HE HAS ENHANCED HIS
SUPPORT AND CONTROL AMONG UPPER ECHELON OFFICERS BY CAREFUL
PLACEMENT OF OFFICERS LOYAL TO HIM IN KEY POSITIONS AND BY
PUSHING THROUGH NEW LAW TO STRENGTHEN HIS CONTROL OVER GENERAL
OFFICER PROMOTIONS. HE INCREASED HIS ACCEPTANCE AT ALL LEVELS
WITH RELATIVELY GENEROUS PAY INCREASES FOR OFFICERS EARLY THIS
YEAR. MANY OF THE MILITARY OFFICERS CLOSE TO THE ADMINISTRATION
OR FAMILIAR WITH IT, MOREOVER, ARE NOW SOPHISTICATED ENOUGH
TO APPRECIATE THESERIOUSNESS AND COMPLEXITY OF THE ECONOMIC
PROBLEMS PLAGUING GEISEL. THEY ARE LESS LIKELY TO BE SEDUCED
BY RIGHT-WING SLOGANS OR OVERLY FACILE ANALYSES. ON THE
POLITICAL SIDE, A SMALL BUT GROWING SEGMENT OF THE MILITARY
IS NOT HOSTILE TO THE MDB--AS THE GOOD SHOWING OF MDB CAN
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DIDATES IN SOME HEAVY MILITARY PRECINCTS IN 1974 ELECTIONS
SHOWED-- AND ARE UNIMPRESSED BY ARGUMENTS EQUATING NORMAL
OPPOSITION ACTIVITIES WITH SUBVERSION. FINALLY SOME FEW
OFFICERS FEAR THAT CONTINUED POLITICAL IMMOBILITY WILL
PRODUCE UNCONTROLLABLE PRESSURES OVER TIME WITH SERIOUS
DISUNIFYING EFFECTS IN THE MILITARY. BY AND LARGE THE
BULK OF BRAZIL'S MILITARY OFFICER CORPS NOW PREFERS TO THINK
AS ITSELF AS NON-POLITICAL AND PROFESSIONAL. THIS TENDENCY
CONSTITUTES A RESERVOIR OF AT LEAST PASSIVE SUPPORT FOR
GEISEL AND HIS POLICIES.

10. OUTSIDE THE MILITARY ESTABLISHMENT, GEISEL CONTINUES
TO ENJOY CONSIDERABLE PUBLIC POPULARITY AND TRUST--A PER-
SONAL POPULARITY THAT IS STRIKINGLY GREATER THAN THAT EITHER
OF THE ADMINISTRATION HE HEADS OR ARENA, THE POLITICAL PARTY
HE NOMINALLY LEADS. IN GENERAL, EVEN AMONG THE OPPOSITION
MDB, GEISEL IS GIVEN CREDIT AT LEAST FOR GOOD INTENTIONS.
AND WITHIN THE MDB THERE IS INCREASING RECOGNITION THAT ANY
ALTERNATIVE TO GEISEL AT THIS STAGE WOULD PROBABLY BE MORE
REPRESSIVE. GEISEL ALSO STILL HAS STRONG SUPPORT AMONG THE
TECHNOCRATS OF THE MINISTRIES AND IN THE STATE-
CONTROLLED ENTERPRISES. HE HAS RESPECTED AND ENHANCES
THEIR PERQUISITES, SUPPORTED THEM AND IN GENERAL HAS ALIGNED
HIMSELF WITH THEIR POLICY PREFERENCES.

1. GEISEL'S OPPONENTS IN THE MILITARY AND ON THE
RIGHT, ON THE OTHER HAND, IN OUR JUDGMENT ARE STILL SCATTERED
AND LACK SUFFICIENT BROAD SUPPORT WITHIN THE LARGER MILITARY
ESTABLISHMENT, BUT WHILE THESE ELEMENTS MUST KEEP THEIR
HEADS DOWN, BY THEIR INFLUENCE OVER INTELLIGENCE MACHINERY
AND OVER CHANNELS OF COMMUNICATION, THEY REMAIN INA
POSITION TOMANUFACTURE OR EXAGGERATE "SUBVERSIVE PLOTS"

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

TO PRESSURE GEISEL OR HIS TOP COMMANDERS. EVEN SO,
SUPERVISION OVER THEIR ACTIVITIES, WHICH HAS VARIED IN
INTENSITY IN THE PAST, IS NOW CLOSER BECAUSE OF THE
PRESIDENT'S CAREFUL PLACEMENT OF OFFICERS OF HIS PERSONAL
TRUST AND CONFIDENCE IN KEY COMMAND POSITIONS. EXAMPLES
WERE HIS CHOICE OF GENERAL DILLERMANDO MONTEIRO TO HEAD
THE SECOND ARMY IN SAO PAULO, AND GENERAL ANTONIO SILVA DOS
CAMPOS TO REPLACE GENERAL CONFUCIO DANTON DE PAULO AVELINA,
A PROPONENT OF A HARSH ANTICUBVERSIVE LINE, AS CHIEF OF THE
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ARMY INTELLIGENCE CENTER. NEVERTHELESS, ELEMENTS IN THE
SECURITY FORCES AND THEIR ALLIES APPEAR TO RETAIN ENOUGH
SECRECY AND AUTONOMY TO ASSIST OR ENCOURAGE RIGHT-WING
TERRORIST ACTIVITIES, WHICH THOUGH LIMITED IN SCOPE,
EMBARRASS THE GOVERNMENT, HELP INITIMIDATE THE OPPOSITION AND
KEEP THE GENERAL POLITICAL ATMOSPHERE UNSETTLED.

12. OF THEMSELVES, THE DISGRUNTLED ELEMENTS AMONG THE
BUSINESS COMMUNITY HAVE LITTLE CAPABILITY TO THREATEN THE
GOVERNMENT. THOSE BUSINESS ELEMENTS THAT WE UNDERSTAND
TO BE MOST INVOLVED ARE NOT TRULLY REPRESENTATIVE OF THE
BROADER BUSINESS COMMUNITY AND THEIR PAST LINKS TO THE MILITARY
HAVE ATTENUATED. UNDER GENERAL DISERMANDO'S COMMAND,
THE MILITARY IN THE SAO PAULO AREA IS MORE RESISTANT TO THE
INDUCEMENTS OF THE BUSINESS COMMUNITY THAN IN THE PAST. IN OUR
VIEW, WHAT SOME ANALYSTS HAVE PERCEIVED AS A "MEDICI GROUP"
IS REALLY LITTLE MORE THAN A LOOSE ASSEMBLAGE OF SHARED
ATTITUDES. ALTHOUGH MEDICI HAS SYMBOLICALLY BEEN USED AS A
RALLYING POINT FOR RIGHTIST DISSIDENTS, WE INCLINED TO DOUBT
THAT HE WOULD LEND HIMSELF TO A SERIOUS SUBVERSIVE EFFORT AS
HE HIMSELF, AS A MILITARY CAREERIST, IS
HEAVILY INFLUENCED BY THE VALUES OF SOLIDARITY OF THE ARMED
FORCES AND THE COHESION CONTINUITY OF THE REVOLUTIONARY MOVEMENT
AND WE HAVE REPORTS THAT HE HAS ALREADY REPENTED HIS JULY
SPEECH.

13. GEISEL'S REACTIONS TO PRESSURES. SO FAR GEISEL, KNOWN
FOR HIS STUBBORNESS, APPEARS TO BE RESISTING PRESSURES FOR
FURTHER CHANGES IN HIS COURSE. ALTHOUGH GEISEL HAS PLAYED
DOEN MANY ASPECTS OF "DISTENSAO" SINCE HIS AUGUST 1975
SPEECH, HE IS STICKING TO HIS COMMITMENT TO GO THROUGH WITH
THE NOVEMBER 15 MUNICIPAL ELECTIONS. HE HAS, HOWEVER, CURBED
THE MDB'S MEDIA ACCESS TO THE ELECTORATE BY FORCING THROUGH
THE SO CALLED "LEI FALCAO" WHICH SHARPLY RESTRICTS USE OF
TV BY MUNICIPAL CANDIDATES. (REF D) HE HAS DEPLOYED MUCH
OF THE PUBLIC RELATIONS MACHINERY OF THE PRESIDENCY IN A
PRO-ARENA, PRO-ADMINISTRATION CAMPAIGN, AND HAS COMMITTED
SOME OF HIS OWN PRESTIGE AND PERSONAL POPULARITY IN BEHALF
OF ARENA CANDATES. WHILE GEISEL IS REPORTED TO HAVE ACTED

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

AGAINST THE MOST BLATANT TYPE OF INTIMIDATION OF MDB CANDIDATES
BY STATE AND LOCAL OFFICIALS IN SOME AREAS, HE HAS MADE NO GEN-
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PAGE 04 BRASIL 08441 03 OF 04 011057Z

ERAL EFFORT TO HALT HARRASSMENT OF THE OPPOSITION OR THE USE
OF LOCAL GOVERNMENT MACHINERY AND PATRONAGE IN SUPPORT OF
ARENA. HIGHLY PLACED OFFICIALS HAVE HINTED TO KEY NEWSMEN THAT
PRESS CENSORSHIP MAY RESUME, BUT GEISEL HIMSELF HAS GIVEN NO
INDICATION OF BACKING DOWN ON PRESS FREEDOM OR ON THE GOVERN-
MENT'S RECENT INCREASED RESPECT FOR HUMAN RIGHTS.

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PAGE 01 BRASIL 08441 04 OF 04 011145Z

10
ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-04 H-02 INR-07 L-03 NSC-05 PA-01

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O R 302130Z SEP 76
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 8095
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 4 OF 4 BRASILIA 8441

14. OTHER THAN A VAGUE STATEMENT IN LATE AUGUST DEPLORING
EXTREMISM OF THE LEFT AND RIGHT WITHIN ARENA (A COMMENT WHICH
WAS LATER REINTERPRETED TO APPLY TO EXTREMISM EVERYWHERE),
THE PRESIDENT HAS NOT PERSONALLY MADE PUBLIC EXPRESSIONS OF
DETERMINATION TO CURB RIGHTIST TERRORISTS. HOWEVER, FOLLOWING
SEPTEMBER 22 TERRORIST INCIDENTS IN RIO (REF C), MINISTER OF
JUSTICE FALCAO, IN STRONGEST STATEMENT SO FAR, EXPRESSED
GOVERNMENT'S DETERMINATION TO INVESTIGATE AND PUNISH THOSE
RESPONSIBLE. IF THE PRESIDENT FOLLOWS THROUGH ON THIS
DETERMINATION IT COULD WELL PRODUCE NEW FRICTIONS BETWEEN HIMSELF

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

AND SOME ELEMENTS OF THE SCURITY FORCES--TO WHOM RIGHTIST
TERRORISTS BELIEVED TO BE LINKED. THE PRESIDENT APPEARS TO BE
CAREFULLY AVOIDING ANY OPEN CONFLICT WITH HIS CONSERVATIVE
CRITICS OTHER THAN HIS GENERAL CONDEMNATION OF EXTREMISM, WHILE
IN PUBLIC STATEMENTS HE CONTINUES TO ATTACK THE MDB AS
"UNPATRIOTIC" OR AS CRITICS WITHOUT POSITIVE ALTERNATIVES. AS THE
ECONOMIC SITUATION HAS WORSENED, GEISEL SHOWS NO SIGNS OF WEAK-
ENING HIS SUPPORT FOR THOSE MINISTERS UNDER RISING ATTACK FOR
INEFFECTIVE POLICIES, CHIEF OF THE PLANNING SECRETARIAT,
REIS VELLOSO, FINANCE MINISTER SIMONSEN, TRADE AND ENERGY
MINISTER SEVERO GOMES AND FOREIGN MINISTER SILVEIRA. AS
KEY MILITARY SLOTS HAVE OPENED UP BY RETIREMENT OR
NORMAL END-OF-TOUR ASSIGNMENTS BY THE ENCUMBENT, GEISEL HAS
CONTINUED TO PLACE HIS OWN MEN IN THOSE POSITIONS. FINALLY
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IN RHETORIC AND IN PRACTICE THE GOVERNMENT CONTINUES TO SHOW
FIRMNESS AGAINST LEFT-WING SUBVERSIVES (I.E., ACTIVITIES OF
THE PCB) TO HEAD OFF ANY AGGRAVATION BY THE LEFT OF THE
EXISTING UNREST AND TO KEEP THE PRESIDENT INVULNERABLE TO
RIGHT-WING CHARGES OF SOFTNESS ON SUBVERSION.

15. OPTIONS AND PROSPECTS. WE CONSIDER THAT THE OUTCOME
OF NOVEMBER 15 ELECTIONS WILL BE MAJOR DETERMINANT AS TO
WHETHER GEISEL CAN REMAIN ON PRESENT POLITICAL COURSE OR
WHETHER HE WILL FACE SERIOUS NEW PRESSURES FOR ABRUPT RETURN
TO MORE AUTHORITARIAN RULE. WE ASSESS THE LIKELY EFFECTS OF
THE TWO MOST PROBABLE OUTCOMES AS FOLLOWS:
OUTCOME "A": FOR GEISEL, ELECTION OUTCOME WOULD PROBABLY
BE CONSIDERED FAVORABLE IF ARENA RETAINS CONTROL OF AAT LEAST
80 PERCENT OF THE TOTAL MAYORALTIES AND CITY COUNCIL
SEATS IN THE COUNTRY (IT NOW CONTROLS 89 AND 84 PERCENT
RESPECTIVELY) WHILE ACHIEVING ROUGH STANDOFF WITH MDB IN
TOTAL POPULAR VOTE, OR AT LEAST LIMITING MDB POPULAR VOTE EDGE
TO SOMETHING NEAR 1.1 MILLION PLURALITY MDB SCORED IN 1974
CHAMBER OF DEPUTIES ELECTIONS. RESULTS ALONG SUCH LINES
WOULD ALLOW ARENA AND GEISEL WITH SOME PLAUSIBILITY TO
CLAIM VICTORY IN SPITE OF MDB GAINS. IN SUCH CASES,
WE WOULD EXPECT GEISEL TO FEEL FAIRLY SECURE IN TAKING NO
STRONGLY REGRESSIVE POLITICAL STEPS SUCH AS MANIPULATING
OR ABORTING THE 1978 ELECTIONS, THOUGH WE WOULD CONSIDER
POSSIBLE STEPS BY HIM IN LONGER TERM TO CHANGE FORMAT OF
1978 ELECTIONS. WE ALSO BELIEVE GEISEL WOULD FEEL SUFFICIENT-
LY IN CONTROL TO MAINTAIN MODEST IMPROVEMENTS IN PRESS FREEDOM
AND PROTECTION OF HUMAN RIGHTS. BUT NOTWITHSTANDING ELECTION
RESULTS THAT WOULD SAVE ARENA'S FACE ON THIS OCCASION, WE
WOULD NOT RULE OUT PRESIDENTIAL ASSENT TO CHANGES IN THE
TWO-PARTY SYSTEM, POSSIBLY INVOLVING CREATION OF
ADDITIONAL PARTIES TO BLUR CURRENT PRO-REVOLUTION AND ANTI-
REVOLUTION ASSOCIATIONS INHERENT IN PRESENT SYSTEM. UNDER

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THIS OUTCOME WE WOULD CONSIDER CABINET CHANGES UN-
LIKELY, THOUGH NEW AND TOUGHER MEASURES TO COPE WITH ECONOMIC
PROBLEMS MIGHT WELL BE FORTHCOMING ONCE ELECTIONS ARE OVER
WHATEVER THE OUTCOME. UNDER OUTCOME A GEISEL, RETAINING
CONTROL, WOULD ALSO BE IN CONSIDERABLY BETTER POSITION TO
CARRY OUT HIS DETERMINATION TO DELAY THE SUCCESSION PROCESS
AND TO KEEP THAT PROCESS UNDER HIS CLOSE PERSONALCONTROL AND
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PAGE 03 BRASIL 08441 04 OF 04 011145Z

INFLUENCE. WE UNDERSTAND THE PRESIDENT WOULD PREFER THAT THERE
BE NO SERIOUS CAMPAIGNING BY PRESIDENTIAL ASPIRANTS EARLIER
THAN LATE 1977. EVEN WITH OUTCOME A, AS WE SEE IT, THERE
WOULD BE CONTINUING PRESSURE ON GEISEL NOT TO MOVE ANY
FASTER ON "DISTENSAO" AND ECONOMIC DIFFICULTIES WOULD CONTINUE
TO CONTRIBUTE TO POLITICAL UNCERTAINTY AND PROVIDE FUEL
FOR ATTACKS ON THE PRESIDENT FROM THE RIGHT. HOWEVER, BARRING
TOTAL ECONOMIC DISASTER GEISEL WOULD STILL BE LIKELY TO MAIN-
TAIN THE NECESSARY MILITARY AND TECHNOCRATIC SUPPORT
TO FEND OFF THE WORST PRESSURES FROM THE
RIGHT.

OUTCOME B: GEISEL WOULD HAVE FAR LESS FREEDOM OF ACTION IF
ARENA IS DEFEATED SO SOUNDLY IN DECEMBER THAT THERE IS NO
REASONABLE COSMETIC BASIS FOR CLAIMING RESPECTABLE SHOWING.
WE CONSIDER IT RISKY TO TRY TO POSIT A PRECISE QUANTITATIVE
DIVIDING LINE BETWEEN A FAVORABLE ARENA SHOWING AND AN
UNFAVORABLE ONE, AND IN THIS RESPECT WE RECOGNIZE THAT THE
ELECTORAL OUTCOME COULD BE AMBIGUOUS, LEADING TO MORE
AMBIGUOUS RESPONSES BY GEISEL AND HIS CRITICS. WE WOULD
CONSIDER DEFEAT WOULD BE APPARENT TO ALL, HOWEVER,
REGARDLESS OF BEST SOPHISTRY, IF MDB INCREASED IT SHARE OF
MAYORALTIES AND CITY COUNCIL SEATS FROM PRESENT ELEVEN AND SIXTEEN
PERCENT TO ABOUT 30 OR 35 PERCENT, AND/OR GAINED POPULAR VOTE
VICTORY EQUAL TO OR GREATER THAN THE MDB'S 4.5 MILLION VOTE EDGE IN
THE 1974SENATE RACES. UNDER OUTCOME B WE BELIEVE GEISEL
WOULD BE IN VERY POOR POSITION T RESIST PRESSURES FOR
REIMPOSITION OF PRESS CENSORSHIP, FREER REIN FOR THE SECURITY
FORCES IN DEALING WITH SUBVERSIVES, AND DRASTIC STEPS TO
REIN IN MDB OPPOSITION AND CANCEL 1978 ELECTIONS
OR TRANSFORM THEM INTO CAREFULLY CONTROLLED BUY MEANINGLESS
EXERCISE. GEISEL MIGHT WELL TAKE THE LEAD IN THESE REGRESSVIE
STEPS RATHER THAN FACE DISTASTEFUL PROSPECT OF HAVING THEM
FORCED UPON HIM. UNDER OUTCOME B WE WOULD ALSO FORESEE GREATER
POSSIBILITY OF CABINET RESHUFFLE AS GEISEL'S ABILITY TO PRO-
TECT HIS MINISTERS WOULD BE WEAKENED. SIMILARLY WE WOULD EXPECT
THE SUCCESSION PROCESS TO BEGIN FAR EARLIER THAN GEISEL WOULD
LIKE WITH GEISEL'S ABILITY TO INFLUENCE EITHER ITS TIMING
OR OUTCOME SERIOUSLY IMPAIRED.

16. AT THIS POINT WE PREFER TO POSTPONE SPECULATION ON THE

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OUTCOME OF THE CURRENT ELECTION CAMPAIGN, WHICH REACHED HALF-WAY POINT ON OCTOBER 1. WE ARE WATCHING THE CAMPAIGN CLOSELY AND EXPECT TO BE ABLE TO COMMENT ON THE ELECTION PROSPECTS OF ARENA AND MDB CLOSER TO ELECTION DAFKNOVEMBER 15. END TEXT.

17. AMBASSADOR CONCURRED IN SUBSTANCE OF THIS REPORT PRIOR TO HIS DEPARTURE FOR WASHINGTON, ALTHOUGH HE HAS NOT SEEN IT IN ITS FINAL FORM.
JOHNSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL STABILITY, ELECTION FORECASTS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRASIL08441
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760370-0447
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976094/aaaaaczs.tel
Line Count: 616
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 BRASILIA 8391, 76 BRASILIA 7387, 76 RIO DE JANEIRO 3591
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2004 by CunninFX>; APPROVED <25 OCT 2004 by greeneet>
Review Markings:

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US Department of State
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04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CURRENT ASSESSMENT OF INTERNAL POLITICAL SITUATION: GEISEL'S POSITION AS ELECTIONS NEAR
TAGS: PINT, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006